

**Fiscal and Structural Subgroup—Meeting One Minutes**

August 17, 2020

11:00 AM

Virtual Meeting via WebEx

Meeting Video: <https://www.youtube.com/watch?v=HdPSCqcgZnw>

**Meeting Attendees:**

Secretary Brian Moran

Deputy Secretary Brad Copenhaver, on behalf of Secretary Bettina Ring

Assistant Secretary Heidi Hertz (*taking notes*)

Assistant Secretary Catie Finley, on behalf of Secretary Daniel Carey

Jenn Michelle Pedini (Virginia NORML)

Commissioner Jewel Bronaugh (VDACS)

Kristin Collins (Tax Department), on behalf of Commissioner Craig Burns

Ngiste Abebe (Columbia Care)

Nate Green (Virginia Association of Commonwealth's Attorneys

Dr. David Brown (Department of Health Professions, on behalf of Caroline Juran)

Mike MacKenzie (VCU Wilder School Center for Urban and Regional Analysis)

Michael Carter (VSU Small Farm Outreach Program and farmer)

Colby Ferguson (DMV), on behalf of Commissioner Richard Holcomb

Linda Jackson (Department of Forensic Science)

Richard Boyd (Virginia State Police)

Deputy Commissioner Charles Green

Joe Mayer (Tax Department)

David Barron (Department of Forensic Science)

**Deputy Secretary Copenhaver began the meeting at 9:00 AM.**

**Select Subgroup Chair and Vice Chair:**

- Co-chairs VDACS Commissioner Dr. Jewel Bronaugh and ABC CEO Travis Hill (Mr. Hill was not present at the meeting but had expressed interest in serving in this role)

**Roll Call Vote:** 9 yes, 0 no

- Unanimous in favor of two co-chairs

**Group Discussion of Potential Policy Questions:**

**Deputy Secretary Copenhaver reminded the group of its charge:** What are the fiscal implementations for the state if adult use marijuana is legalized? Where in state government will these regulations fall and who would be responsible for implementing a marijuana program?

The following is a summary of the discussion during the meeting regarding potential topics and policy questions that the members brought up.

- Seed to sale tracking system- important for identifying markets (who is growing what, where)
- Types of positions for program oversight
- Agencies identified to take charge- umbrella agency/group established or multiple agencies with oversight
- Number of positions (FTEs) and costs associated with the positions
- Colorado, Oregon, California- various structures put in place, fee structure established some state programs have obtained state funding
  - Colorado: new agency established
  - Oregon: used existing agency structure, under liquor control commission (59 positions)
  - California: split model between agencies
- Additional states to review- Illinois, Massachusetts
- Other areas for potential oversight/regulation specifically for department of agriculture
  - Pesticides use/misuse
  - Food safety concerns
  - Weights/Measures and regulating scales
  - Plant tests, invasive species
  - Administrative support for other agencies involved
- Centralized regulator
  - Has allowed for 1 entity to continue to focus on cannabis compared to “shared” between agencies/groups having other things to focus on (ex. COVID19)
  - Provides dedicated time and effort
  - JLARC is exploring with contractor
  - DHP in favor of centralized regulator and sees role for overseeing medical marijuana program. Would capture funding for BOP through permit fees.
- VA Current status: BOP regulating medical cannabis and VDACS regulating industrial hemp, requires General Assembly to interface
- Fiscal implications- need to consider various funding mechanisms for positions and services that are related to the industry, some funding in states available through licensing and fees, need to consider services that are not fee-for-service (ex. Weights and measures)
- Fee structure
- Social equity lens related to fees- Provide capital to applicants (ex. Illinois set up model that reduced and waived fees to social equity applicants, state funding available.) Provide technical assistance for social equity applicants. Assist those that have been systematically disenfranchised through the previous process and policies.
- Adult use cannabis retail system- how will it look? Similar to state-run liquor distribution in VA (while operating under federal prohibition and impact on social equity participants) or privatized?
- Economic opportunity related to adult-use market.
- Locality-role- “opt in or opt out” to allow businesses within the locality, forego revenue generated, will have implications for state licensing
- Taxation rates on retail sale- considerations higher the tax rate the larger amount stays in black vs legal market, who is responsible for the tax? (Retail level), price sensitivity and

demand which influences who purchasing the product. Important to determine what the demand would be in VA- monthly usage, assumptions about the black market, age restrictions, compared to surrounding states, what products subject to the tax? (Everything? Edible products only?)

- Tax revenues dedicated for other programming- Could the tax revenue assist individuals and entities impacted by the prohibition?
- Co-locating adult use and medical cannabis programs- prioritize medical use for supply while allowing for changes in medical products and use to allow for dose flexibility, product changes. Ex. Illinois “menu” for medical use vs adult use, some products are allowed for both, some only for medical use (through prescription). Applying the existing policy- medical would be treated differently than recreational.
- Tax impact- sales, demand, reduced costs of incarceration, reduced cost of enforcement. JLARC is also reviewing with consultant.
- Themes across both committees- recommendations from this group and health group will dictate which areas of the Code need to be addressed

**Group Discussion of Stakeholder and Subject Matter Expert Engagement:**

- Continue communicating with JLARC
- Hear from others states: Massachusetts, Illinois
- Share specific pros/cons of other state programs
- Should be thinking about what the final report should look like recommendations for moving forward? On the other hand, presentation of a list of things to be chosen from?
- **Secretary Moran:** We should look into other states and learn from them

**Deputy Secretary Copenhaver** told the group to be on the lookout for an email with further information about a future meeting—trying not to meet during the Special Session.

**Public Comment:**

- **Anne Leigh Kerr (Scotts Miracle Grow/ Hawthorne Gardening):** They are happy to participate and provide information that they have already collected.

**The meeting was adjourned at 12:20 PM.**